

# Terrell hospital's fate still unclear Center in new hands, but city moving forward with lease termination

THE DALLAS MORNING NEWS

January 30, 2007 Tuesday, FIRST EDITION

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**Section:** METRO; Pg. 2B

**Length:** 370 words

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## Body

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A doctor has taken over [operation](#) of Terrell's beleaguered hospital, but the facility's fate remains unclear. "The web is woven so deep, it's hard to explain what's going on," City Manager Gordon Pierce said Monday about the Medical Center at Terrell.

The crisis became public Jan. 8 when the operator at the time, Georgia-based Resurgence Health Group, announced that too many patients weren't paying their bills and it would have to [close](#) the hospital by March 9 or find another operator.

On Monday afternoon, Mr. Pierce outlined what had happened in the last few days:

\*Dr. Tariq Mahmood, who runs hospitals in the Central Texas towns of Cameron and Whitney, signed an [agreement](#) with Resurgence to take over operation of the center, the only medical hospital in Terrell and one of only two in Kaufman County. But any operator must also satisfy Mr. Pierce and the City Council, because the city owns the buildings and leases them to the operator.

\*City officials told Resurgence that it had violated its lease by not making rent payments, by not paying property taxes and by signing an agreement with Dr. Mahmood without notifying the city. The city ordered Resurgence to vacate the premises within 20 days.

Mr. Pierce said he understood that by signing the agreement with Resurgence, Dr. Mahmood became liable for the lease violations and must address them or vacate.

"I don't know where it's going to end up," Mr. Pierce said, "but we're moving forward with termination of the lease."

Resurgence declined to comment Monday. Dr. Mahmood couldn't be reached.

\*The city continues to talk with two small hospital corporations, which Mr. Pierce declined to name. A firm that had been in the running, Florida-based Frontier [Health Care](#), is out. Another interested company, Houston-based Renaissance Health Care Systems, which operates a hospital in Oak Cliff and plans to run one in Grand Prairie, may be one of the remaining pair.

"I don't know," **Renaissance** spokeswoman Mary Ann Kulpaca said. "I hope we're still in the running."

Despite the confusion, Mr. Pierce professed optimism.

"I believe the hospital will continue to operate," he said, "and there will be an operator that will satisfy the community within the 20-day period."

## Hospital has new operator **Terrell**: Firm inks 90-day deal; questions remain in talks on longer lease

THE DALLAS MORNING **NEWS**

February 2, 2007 Friday, EAST EDITION

Copyright 2007 THE DALLAS MORNING NEWS

**Section:** METRO; Pg. 1B

**Length:** 806 words

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### Body

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A three-week roller coaster ride over whether **Terrell**'s lone hospital would have to close by Feb. 14 has smoothed out with the announcement that a new operator has taken over.

"We have faith," Dr. Reba Williams-White, the hospital's [chief of staff](#), said Thursday about Houston based **Renaissance** Healthcare Systems. "This is a great time in **Terrell**. We not only wanted the hospital open; we wanted a great facility for the community."

**Renaissance** signed a 90-day lease Wednesday night with the city, which owns the buildings of the Medical Center at **Terrell**, and another agreement taking [control](#) from the former operator, Georgia-based Resurgence Health Group. **Renaissance** owns hospitals near Beaumont and in Houston and Dallas, and it plans to open another this year in Grand Prairie

City Manager Gordon Pierce said the lease was designed to give the city and **Renaissance** time to develop a long-term agreement.

Some questions still need to be resolved between **Renaissance**, Resurgence and Dr. **Tariq Mahmood**, who late last week signed an agreement with Resurgence to take over the hospital. Mr. Pierce said Dr. Mahmood, who owns three small hospitals in Texas, wants out of the deal. Mr. Pierce also said he didn't think the Resurgence-Mahmood deal was legal.

"He signed the document with them after we were under the impression we were still in negotiations with **Renaissance**," Mr. Pierce said.

One wrinkle that came up during those talks was the revelation to city officials that a **Renaissance** principal, Daniel De La Garza, has criminal convictions in Texas: in 1995 for engaging in organized crime and in 1998 for illegal structuring of cash transactions. He also was held in a jail in Colombia in the mid-1980s in connection with cocaine trafficking.

In July, when Mr. De La Garza's past came to light after the announcement of the Grand Prairie hospital, **Renaissance** said in a prepared statement: "The events of the past cannot be changed; however, none of the allegations involve health care. Since the year 2000, Dan De La Garza has rededicated himself to providing the finest quality of health care to underserved communities. ... This is what Dan De La Garza should be judged on - the fact that he has dedicated himself to improving the quality of health care."

Mr. Pierce and Dr. Williams-White agreed.

After touring **Renaissance**'s southwest Oak Cliff hospital with another doctor from **Terrell**, Dr. Williams-White said: "We were impressed from the front door to the back door."

"All we can go on is his record with the hospitals," said Mr. Pierce, who noted that **Terrell** doctors also had checked on the **Renaissance** hospital in Groves, near Beaumont. "The majority of the medical staff seem to be very enthused about Mr. De La Garza taking over the hospital."

Mary Ann Kulpaca, regional director of marketing and development for **Renaissance**, said her company already is improving the **Terrell** hospital's air-conditioning system and generator and plans to upgrade the asphalt around it during the first 90 days.

"Our goal is to obviously improve the outside of the hospital," she said. "We're also looking at increasing the diagnostic radiology department. We're looking to get a better understanding from the doctors of what they need."

"One of the great things **Terrell** has is great patient care. So we take care of the cosmetic features and go to the doctors to say, 'What can we do to help promote you and your care?'"

**Renaissance** also is taking over a Wills Point clinic that Resurgence owned, Ms. Kulpaca said.

When Resurgence made its sell-or-close announcement Jan. 8, it said that 30 percent of patients were not paying their bills, an unsustainable level. In addition, admissions were low; only about 30 of the Medical Center's 130 beds were filled.

Resurgence, which paid the city \$10,000 a month in rent, was two months behind. It also was behind on taxes; Kaufman County recently sued the company for \$365,573 that it owed to **Terrell**, the county, the **Terrell** school district and Trinity Valley Community College.

When asked how **Renaissance** could profit in an environment where Resurgence could not, Mr. Pierce said: "Our best estimate of that is that they are very knowledgeable in Medicare, Medicaid, workers comp and all of the programs that provide hospital help, including indigent care."

Ms. Kulpaca agreed, saying, for example, that **Renaissance** has an employee on-site to help patients qualify for Medicaid.

"The reason hospitals fail is the management company," she said.

Dr. Williams-White said she believed **Renaissance** would bring an improved image that could be highlighted in schools and churches and at health fairs, drawing insured people to **Renaissance** Hospital **Terrell** instead of letting them escape to other medical centers.

"When 30 percent aren't paying the bills, you look at the 100 percent who weren't coming," she said.

# More Renaissance hospitals file

Daily Deal/The Deal

August 28, 2008 Thursday

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**Section:** BANKRUPTCY

**Length:** 619 words

**Byline:** by John Blakeley

**Highlight:** The company's hospitals in Dallas, Houston and Groves, Texas, tumble into Chapter 11.

## Body

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Three hospitals operated by Texas' Renaissance Healthcare Systems Inc. filed for Chapter 11 protection on Tuesday, Aug. 26, joining the group's two other hospitals, which filed last week.

Renaissance will sell at least one of the five hospitals during the bankruptcy, and look to open the doors of another for the first time in nine years.

Lawyers for the hospitals that filed Chapter 11 last week -- Renaissance Hospital Terrell Inc. in Terrell, Texas, and Renaissance Hospital Grand Prairie Inc. of Grand Prairie, Texas -- will make their first appearance in bankruptcy court on Thursday.

At the hearing, Renaissance will seek approval of bidding guidelines for an auction of its Terrell hospital and approval of a bridge loan that would finance the facility's operations until a sale is complete. The hospitals both sought Chapter 11 protection in the U.S. Bankruptcy Court for the Northern District of Texas in Fort Worth on Aug. 21.

The filings came just four months after Atlantic Health Group acquired a majority stake in struggling Renaissance Healthcare Systems, implementing sweeping reforms of the member hospitals' billing and collection and cutting costs by about \$2 million a month throughout the five properties.

On Aug. 26, the three remaining hospitals that make up the Renaissance Healthcare System -- hospitals in Dallas, Houston and Groves, Texas -- also filed bankruptcy protection, though only the Terrell location has plans to sell itself thus far.

Texas doctor Tariq Mahmood has offered to buy the 127-bed acute-care facility for \$1.2 million, court filings show. In the interim, Mahmood will provide Renaissance with a \$150,000 debtor-in-possession loan to operate its Terrell hospital until the sale closes. Terms of the loan require a fast-paced auction process -- a sale must close by Sept. 30, court filings show.

Judge D. Michael Lynn of the Fort Worth bankruptcy court will consider Renaissance's proposed bidding procedures for the auction of its Terrell facility during Thursday's hearing.

Renaissance is seeking a Sept. 10 auction, where overbids must be at least \$100,000 higher than the initial bid of \$1.35 million (Mahmood's \$1.2 million bid, plus the \$150,000 DIP). Competing bids are due Sept. 5, and Mahmood would be in line for a \$40,000 breakup fee should a rival bidder win the auction.

"The **Terrell** hospital has been a distressed facility for some time," said Jerome Mee, chairman and chief executive officer of Atlantic Health Group, in an affidavit filed with the bankruptcy court. "Ever since [Atlantic's] involvement this spring, this debtor has continued to operate at a loss and experience a severe contraction in trade terms by its vendors."

Secured creditor **Lenders Funding LLC** objected to the sale process, arguing that Mahmood's stalking-horse bid is really worth \$1.05 million to the estate when factoring in the credit bid portion of the DIP. Lenders said it would not consent to the sale because its \$4 million claim would not be paid in full.

Meanwhile, **Renaissance** did not say what it intends to do with its other four bankrupt hospitals, though the company appears intent on reopening its Grand Prairie facility.

Vacated since 1999 when the Dallas-Fort Worth Medical Center closed its doors, **Renaissance** estimated that renovation of the hospital is about 40% to 45% complete.

**Renaissance**, which specializes in acquiring distressed or underperforming hospitals and turning them around, acquired the Grand Prairie facility in 2006.

In 2007, the five hospitals that make up **Renaissance** Healthcare Systems had consolidated gross revenue of about \$98 million, court filings show.

Debtor counsel Holland N. O'Neil from **Gardere Wynne Sewell LLP** did not return calls Wednesday.

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